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GENERAL

1. US policy on Palestine--The Department of State, with the approval of President Truman, has instructed the US delegation to the UN that: (a) the US will continue to urge the Security Council to issue a cease-fire order under the UN Charter; (b) if such an order is not complied with, following its issuance, the US will adjust its embargo policy to support any action taken by the SC; (c) the US will support SC action banning all shipments of arms and military assistance to any party to the hostilities so long as all participants comply with the cease-fire order; (d) the US will retain its present arms embargo if the SC succeeds in effecting a cease-fire and places an embargo upon all parties to the hostilities; and (e) if the UN is unable to accomplish either of these two moves, the US will resume its freedom of action respecting arms shipments.
2. Bidault to discuss London talks with French Assembly--US Ambassador Caffery reports from Paris that Foreign Minister Bidault plans to discuss with leaders of the French Assembly the results of the London talks before submitting the London recommendations to debate in the Assembly. Caffery believes that there is no possible way for the French Government to escape this debate. Caffery also reports that Bidault is now willing to accept the US position that there should be no US-UK-French ministerial meeting at this time.

EUROPE

3. USSR: Kremlin reported making overtures to Arab governments--The US Military Attache in Cairo conveys a report from a fairly reliable source to the effect that the USSR has offered to supply Egypt with military assistance and to use the 30 million Soviet Moslems to promote King Farouk's candidacy for the Caliphate of Islam. The report suggests that in return, Farouk is to persuade Ibn Saud to accept Soviet technical and military aid so

State Dept., DIA reviews completed

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that the Saudi Arabian oilfields can be operated independently of the US. The source indicated that the USSR had also made an offer to Iraq.

(CIA Comment: It is probable that the USSR will exploit Arab antagonism toward the US by seeking deals with the Arab governments. CIA believes, however, that the USSR is more likely to increase its influence in the Near East through Communist exploitation of the social disorders throughout the Arab world which would follow any significant Arab reverses in Palestine.)

4. YUGOSLAVIA: Implications of Communist Party Congress... US Ambassador Cannon reports that the Yugoslav Communist Party, contrary to its former policy of secrecy concerning Party activities, has publicly announced the agenda of the Party Congress to be held on 21 July. Cannon believes that this action implies that: (a) some Party adherents are losing confidence in the ability of the regime to advance world communism; and (b) intra-party conflict and diversionism have reached greater proportions than previously estimated. Cannon also thinks that the current Party purge may be intensified prior to the congress in order to unify the Party's leadership firmly under Tito's control. In view of the regime's preoccupation with these internal difficulties, Cannon considers it unlikely that Tito will be in a position to risk any external adventures until after the congress.

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